

**KINGSTON TOWN
FINANCIAL STATEMENTS
JUNE 30, 2005**

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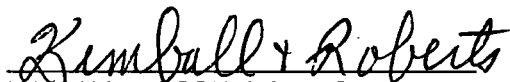
Phone 896-6488

Honorable Mayor and Town Council
Kingston Town
Kingston, Utah 84743

We have compiled the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Kingston Town as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion, or any other form of assurance, on them.

The budgetary comparison information, on pages 27 through 29, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.



KIMBALL & ROBERTS, P. C.
Certified Public Accountants

September 23, 2005
Richfield, Utah

(This page contains no information and
is used to assist in formatting, for easier reading)

BASIC FINANCIAL STATEMENTS

**KINGSTON TOWN
STATEMENT OF NET ASSETS**

June 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	79,209	1,019	80,228
Accounts Receivable (Net)	-	1,000	1,000
Total Current Assets	79,209	2,019	81,228
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	-	2,300	2,300
Capital Assets (Net of Accumulated Depreciation):			
Land	9,800	1,000	10,800
Buildings	47,000	-	47,000
Improvements Other Than Buildings	-	347,375	347,375
Equipment	32,445	-	32,445
Infrastructure	99,000	-	99,000
Total Noncurrent Assets	188,245	350,675	538,920
TOTAL ASSETS	267,454	352,694	620,148
LIABILITIES			
Current Liabilities:			
Bond Interest Payable	-	700	700
Revenue Bonds Payable - Due Within One Year	-	3,156	3,156
Total Current Liabilities	-	3,856	3,856
Noncurrent Liabilities:			
Revenue Bonds Payable - Due More Than One Year	-	53,652	53,652
TOTAL LIABILITIES	-	57,508	57,508
NET ASSETS			
Investment in Capital Assets, Net of Debt	188,245	290,867	479,112
Restricted For:			
Bond Retirement	-	2,300	2,300
Class C Road	61,826	-	61,826
Unrestricted	17,383	2,019	19,402
TOTAL NET ASSETS	267,454	295,186	562,640
TOTAL LIABILITIES AND NET ASSETS	267,454	352,694	620,148

See accompanying notes and accountant's report.

**KINGSTON TOWN
STATEMENT OF ACTIVITIES**

For The Fiscal Year Ended June 30, 2005

Function/Programs Primary Government:	Expenses	Program Revenues			Net (Expense) Revenues and		
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	9,820	378	-	-	(9,442)	-	(9,442)
Public Safety	1,989	-	39	-	(1,950)	-	(1,950)
Public Health	6,062	-	-	-	(6,062)	-	(6,062)
Highways and Streets	16,444	-	12,837	36,000	32,393	-	32,393
Interest on Debt	-	-	-	-	-	(1,998)	(1,998)
Total Governmental Activities	34,315	378	12,876	36,000	14,939	(1,998)	12,941
Business-Type Activities:							
Water Fund	16,956	13,521	-	-	-	(3,435)	(3,435)
Total Primary Government	51,271	13,899	12,876	36,000	14,939	(5,433)	9,506
General Revenues:							
Property Taxes					8,810	-	8,810
Fee-In-Lieu of Property Taxes					949	-	949
Sales Taxes					9,229	-	9,229
Unrestricted Investment Earnings					439	37	476
Total General Revenues and Transfers					19,427	37	19,464
Change in Net Assets					34,366	(5,396)	28,970
Net Assets - Beginning					233,088	300,582	533,670
Net Assets - Ending					267,454	295,186	562,640

See accompanying notes and accountant's report.

**KINGSTON TOWN
BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2005

	<u>General Fund</u>
ASSETS	
Cash and Cash Equivalents	<u>79,209</u>
TOTAL ASSETS	<u><u>79,209</u></u>
LIABILITIES AND FUND BALANCES	
Liabilities	<u>-</u>
Fund Balances:	
Reserved For:	
Class C Road	61,826
Unreserved, Reported In:	
General Fund	<u>17,383</u>
Total Fund Balance	<u>79,209</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>79,209</u></u>

See accompanying notes and accountant's report.

KINGSTON TOWN
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

June 30, 2005

Total Fund Balances - Governmental Fund Types	79,209
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	9,800	
Buildings	47,000	
Equipment	32,445	
Infrastructure	99,000	

Total		<u>188,245</u>
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Net Assets of Government Activities	<u><u>267,454</u></u>
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KINGSTON TOWN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2005

	<u>General Fund</u>
Revenues:	
Taxes	18,988
Intergovernmental Revenue	48,876
Interest	439
Miscellaneous Revenues	<u>378</u>
Total Revenues	<u>68,681</u>
Expenditures:	
Current:	
General Government	8,620
Public Safety	1,989
Public Health	6,062
Highways and Streets	464
Capital Outlay	<u>36,050</u>
Total Expenditures	<u>53,185</u>
Net Change In Fund Balance	15,496
Fund Balance - Beginning	<u>63,713</u>
Fund Balance - Ending	<u><u>79,209</u></u>

See accompanying notes and accountant's report.

KINGSTON TOWN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities
are different because:

Net Changes in Fund Balances - Total Governmental Funds	15,496
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Governmental funds report capital outlays as expenditures. However, in
the statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount by which capital outlays exceeded depreciation in the current period:

Capital Outlay	36,050	
Depreciation Expense	<u>(17,180)</u>	
Total		<u>18,870</u>

Changes In Net Assets of Governmental Activities	<u><u>34,366</u></u>
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**KINGSTON TOWN
STATEMENT OF NET ASSETS
PROPRIETARY FUND**

June 30, 2005

	Business-Type Activity Enterprise
	<u>Water Fund</u>
ASSETS:	
Current Assets:	
Cash in Bank	1,019
Accounts Receivable (Net)	<u>1,000</u>
Total Current Assets	<u>2,019</u>
Noncurrent Assets:	
Investments - Restricted:	
Bond Retirement	2,300
Capital Assets: (Net of Accumulated Depreciation)	
Land	1,000
Water System	<u>347,375</u>
Total Noncurrent Assets	<u>350,675</u>
TOTAL ASSETS	<u><u>352,694</u></u>
LIABILITIES:	
Current Liabilities:	
Bond Interest Payable	700
Bonds Payable - Current Portion	<u>3,156</u>
Total Current Liabilities	<u>3,856</u>
Noncurrent Liabilities:	
Bonds Payable - Long-Term Portion	<u>53,652</u>
TOTAL LIABILITIES	<u>57,508</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	290,867
Restricted for Bonded Retirement	2,300
Unrestricted	<u>2,019</u>
TOTAL NET ASSETS	<u>295,186</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>352,694</u></u>

See accompanying notes and accountant's report.

KINGSTON TOWN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND

For the Fiscal Year Ended June 30, 2005

	Business-Type Activity Enterprise
	<u>Water Fund</u>
Operating Revenues:	
Charges for Sales and Services:	
Water Fees	<u>13,521</u>
Total Operating Revenues	<u>13,521</u>
Operating Expenses:	
Salaries and Labor	3,027
Materials and Supplies	2,062
Utilities	492
Depreciation	<u>11,375</u>
Total Operating Expenses	<u>16,956</u>
Operating Income	<u>(3,435)</u>
Nonoperating Revenues (Expenses):	
Investment Earnings	37
Interest Expense	<u>(1,998)</u>
Total Nonoperating Revenues (Expenses)	<u>(1,961)</u>
Change in Net Assets	(5,396)
Total Net Assets - Beginning	<u>300,582</u>
Total Net Assets - Ending	<u><u>295,186</u></u>

See accompanying notes and accountant's report.

**KINGSTON TOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

For the Fiscal Year Ended June 30, 2005

	Business-Type Activity Enterprise
	Water Fund
Cash Flows From Operating Activities:	
Receipts From Customers	13,271
Payments to Suppliers	(2,554)
Payments to Employees	(3,027)
	<u>7,690</u>
Net Cash Provided by Operating Activities	
Cash Flows From Capital and Related Financing Activities:	
Principal Paid on Capital Debt	(3,116)
Interest Paid on Capital Debt	(1,898)
	<u>(5,014)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	
Cash Flows from Investing Activities:	
Interest Received	37
	<u>37</u>
Net Cash Provided (Used) by Investing Activities	
Net Increase (Decrease) in Cash and Cash Equivalents	2,713
Cash and Cash Equivalents - Beginning	606
Cash and Cash Equivalents - Ending	<u>3,319</u>
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:	
Operating Income	(3,435)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities:	
Depreciation	11,375
Increase (Decrease) in Operating Assets:	
Accounts Receivable	(250)
	<u>11,125</u>
Total Adjustments	
Net Cash Provided (Used) by Operating Activities	<u>7,690</u>

See accompanying notes and accountant's report.

KINGSTON TOWN
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Kingston Town conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2005.

The following is a summary of the more significant policies:

A. Reporting Entity

Kingston Town is a municipal corporation in Piute County, Utah. It is governed by an elected Mayor and a four member board. As required by generally accepted accounting principles, these financial statements are of the primary government, Kingston Town, the reporting entity. The Town has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**KINGSTON TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Kingston Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensat

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Government reports the following Proprietary Funds:

The Utility Funds accounts for the activities of the Town water operations. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

KINGSTON TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

**KINGSTON TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Water System	40 Years
Well Improvements	40 Years

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Budgets and Budgetary Accounting:

The governing body of the entity shall establish the time and place of the public hearing to consider the adoption of the budget and shall publish notice of the hearing at least seven days prior to the hearing in at least one issue of the newspaper of general circulation published within the County in which the entity is located. If no such newspaper is published, the required notice may be posted in three public places within the entity's jurisdiction.

KINGSTON TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The tentative budget must be made available to the public for inspection for a number of days, as provided by law, prior to the budget hearing.

1. On or before the first regularly scheduled meeting of the Town Board in the month of May, the mayor prepares a tentative budget for the next budget year.
2. After a public notice has been published, a public hearing is then held on the adoption of the budget.
3. After the public hearing, the Town Board makes final adjustments to the tentative budget.
4. On or before June 22, the Town Board adopts the budget by resolution or ordinance and sets the tax rate for taxes.
5. The budget officer may transfer unexpended budgeted amounts within departments.
6. The Town Board may transfer unexpended budgeted amounts from one department in a fund to another department in the same fund by resolution.
7. The total budget appropriation of any governmental fund may be increased only after a public hearing has been held and followed by resolution of the Town Board.
8. Proprietary Fund budgets may be increased without a public hearing by resolution of the Town Board.
9. Budgets for the General fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The appropriated budget is prepared by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level.

The Fiscal Procedures Act for Utah Towns require local municipalities to restrict expenditures to authorized departmental budgets. The combined statement of revenues, expenditures and changes in fund balance - budget and actual identifies the departments and funds which have overexpended budgeted amounts if any and, therefore, do not comply with appropriate fiscal procedures.

**KINGSTON TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

NOTE 1 - SUMMARY OF HISTORY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Property Tax Calendar:

- | | |
|-------------|--|
| January 1 | Lien Date - All property appraised based upon situs and status as of this date (real and personal). |
| March 1 | Calendar year taxing entities must inform the County of the date, time and place of the budget hearing for the next fiscal year for inclusion with tax notice. |
| June 22 | All taxing entities to adopt tentative budgets and proposed tax rates and report them to the county auditor. |
| July 22 | County auditor to prepare and mail Notice of Valuation and Tax Changes to all real property owners, including centrally assessed property owners or in the event that Notices of Valuation and Tax Changes are not required, the county auditor is to compute taxes and the county treasurer is to mail tax notices. |
| September 1 | State Tax Commission approves tax rates. |
| November 1 | County auditor is to deliver the equalized assessment roll to the county treasurer with affidavit. |
| November 1 | County auditor to charge the county treasurer to account for all taxes levied. |
| November 1 | County treasurer to mail tax notices. Tax notices for calendar year entities include notice of budget hearings. |
| November 30 | Taxes on real property become delinquent. |

NOTE 2 - DEPOSITS AND INVESTMENTS

The Town maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash".

Deposits:

At year-end, the carrying amount of the Town's deposits was \$82,528 and the bank balance was \$82,726. All of the bank balance was covered by federal depository insurance. Utah state statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

**KINGSTON TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments:

Statutes authorize the Town to invest in obligations of the U. S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standards & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers acceptances, repurchase agreements, and the state treasurer's investment pool. The Town is also authorized to enter into reverse repurchase agreements.

The Town's investments are categorized below to give an indication of the risk assumed by the Town at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Town in the Town's name, and includes deposits collateralized by securities held by the Town in the Town's name. Category 2 includes uninsured and unregistered investments for which the investments are held by a broker or dealer in the Town's name, and includes deposits collateralized by securities held by the pledging institution in the Town's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer but not in the Town's name, and includes deposits not insured or collateralized.

Kingston Town's investments at year end are shown below:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount/ Fair Value</u>
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit Risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.

Cash is reflected in the financial statements as follows:

Governmental	79,209
Proprietary	<u>3,319</u>
Total	<u>82,528</u>

KINGSTON TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 3 - BOND RESERVES

Kingston Town is required to reserve \$66.67 a month, until a balance of \$800.00 is reached, for emergency repair and replacement. The Town is also required to reserve \$33.33 a month, until a balance of \$2,650.00 is reached, as a bond payment reserve. The balance at June 30, 2005, was \$2,300.00.

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	1,000	-	-	1,000
Land Related to Infrastructure	<u>8,800</u>	<u>-</u>	<u>-</u>	<u>8,800</u>
 Total Capital Assets Not Being Depreciated	 <u>9,800</u>	 <u>-</u>	 <u>-</u>	 <u>9,800</u>
 Capital Assets Being Depreciated:				
Buildings	50,000	-	-	50,000
Buildings	-	36,050	-	36,050
Infrastructure	<u>247,500</u>	<u>-</u>	<u>-</u>	<u>247,500</u>
 Total Capital Assets Being Depreciated	 <u>297,500</u>	 <u>36,050</u>	 <u>-</u>	 <u>333,550</u>
 Less Accumulated Depreciation For:				
Buildings	1,800	1,200	-	3,000
Buildings	-	3,605	-	3,605
Infrastructure	<u>136,125</u>	<u>12,375</u>	<u>-</u>	<u>148,500</u>
 Total Accumulated Depreciation	 <u>137,925</u>	 <u>17,180</u>	 <u>-</u>	 <u>155,105</u>
 Total Capital Assets Being Depreciated (Net)	 <u>159,575</u>	 <u>18,870</u>	 <u>-</u>	 <u>178,445</u>
 Governmental Activities Capital Assets, Net	 <u>169,375</u>	 <u>18,870</u>	 <u>-</u>	 <u>188,245</u>

KINGSTON TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Not Being Depreciated:				
Land	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Total Capital Assets Not Being Depreciated	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Capital Assets Being Depreciated:				
Water System	40,000	-	-	40,000
Well Improvements	130,000	-	-	130,000
New Tank and Well	<u>284,000</u>	<u>-</u>	<u>-</u>	<u>284,000</u>
Total Capital Assets Being Depreciated	<u>454,000</u>	<u>-</u>	<u>-</u>	<u>454,000</u>
Less Accumulated Depreciation For:				
Water System	31,000	1,000	-	32,000
Well Improvements	35,750	3,250	-	39,000
New Tank and Well	<u>28,500</u>	<u>7,125</u>	<u>-</u>	<u>35,625</u>
Total Accumulated Depreciation	<u>95,250</u>	<u>11,375</u>	<u>-</u>	<u>106,625</u>
Total Capital Assets Being Depreciated (Net)	<u>358,750</u>	<u>(11,375)</u>	<u>-</u>	<u>347,375</u>
Business Type Activities Capital Assets, Net	<u>359,750</u>	<u>(11,375)</u>	<u>-</u>	<u>348,375</u>
Total Capital Assets	<u><u>529,125</u></u>	<u><u>7,495</u></u>	<u><u>-</u></u>	<u><u>536,620</u></u>

KINGSTON TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 4 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Primary Government as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Public Safety	1,200	-	1,200
Public Health	-	11,375	11,375
Highways and Streets	15,980	-	15,980
Total Depreciation Expense	<u>17,180</u>	<u>11,375</u>	<u>28,555</u>

NOTE 5 - BONDS PAYABLE

The Water Revenue Bond, dated 1973 and bearing an interest rate of 5%, is paid from water revenues. The balance at June 30, 2005 was \$14,500. A summary of debt service charges to maturity follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005 - 2006	1,500	725	2,225
2006 - 2007	1,500	650	2,150
2007 - 2008	1,500	575	2,075
2008 - 2009	2,000	500	2,500
2010 - 2013	8,000	1,000	9,000
Total	<u>14,500</u>	<u>3,450</u>	<u>17,950</u>

During the 2000 year the Town secured financing for the purpose of improving the water system by the construction of a new water tank. The financing arranged by the Town included a grant from the Community Impact Board of \$226,000 and a loan from the Community Impact Board in the amount of \$50,000. The loan requires annual payments of \$2,713.80 including interest at 2.5%. A summary of debt service charges to maturity follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005 - 2006	1,656	1,058	2,714
2006 - 2007	1,698	1,016	2,714
2007 - 2008	1,740	974	2,714
2008 - 2009	1,784	930	2,714
2009 - 2010	1,828	886	2,714
2011 - 2015	9,850	3,720	13,570
2016 - 2020	11,143	2,427	13,570
2021 - 2025	12,609	961	13,570
Total	<u>42,308</u>	<u>11,972</u>	<u>54,280</u>

KINGSTON TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 5 - BONDS PAYABLE (CONTINUED)

Changes in bonds payable at June 30, 2005, are as follows:

Bond Issue:	Date of Issue	Interest Rate	Total Issued	Outstanding June 30, 2004	Current Year Changes		Outstanding June 30, 2005
					Issued	Matured	
Water Revenue Bonds FHA	1973	5.0%	22,000	16,000	-	1,500	14,500
Water Revenue Bonds CIB	2000	2.5%	50,000	43,924	-	1,616	42,308
Total			<u>72,000</u>	<u>59,924</u>	<u>-</u>	<u>3,116</u>	<u>56,808</u>

The following is a summary of total bonds payable to maturity:

	Principal	Interest	Total
2005 - 2006	3,156	1,784	4,940
2006 - 2007	3,198	1,666	4,864
2007 - 2008	3,240	1,549	4,789
2008 - 2009	3,784	1,430	5,214
2009 - 2010	3,828	1,286	5,114
2011 - 2015	15,850	4,319	20,169
2016 - 2020	11,143	2,426	13,569
2021 - 2025	12,609	961	13,570
Total	<u>56,808</u>	<u>15,421</u>	<u>72,229</u>

KINGSTON TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 6 - CLASS C ROADS

The following is a schedule of receipts and disbursements in Class C Roads:

Fund Balance - Beginning of Year		49,147
Receipts:		
State Allotments	12,837	
Interest	<u>306</u>	
Total Receipts		13,143
Disbursements		<u>(464)</u>
Fund Balance - End of Year		<u><u>61,826</u></u>

NOTE 7 - STATE RETIREMENT PLANS

Kingston Town does not participate in the Utah State Retirement System programs.

NOTE 8 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in the Utah Local Governments Trust. The insurance coverages are written on a group purchase arrangement. All of the insurance coverage is brokered and written through various insurance companies. Utah Local Government Trust acts as the broker.

Liability:

The Town is insured for \$1,000,000 combined single limit with a \$500 deductible per occurrence for Comprehensive General Liability. Bodily injury, personal injury, property damage, public officials errors and omissions coverage \$1,000,000 aggregate each policy period with a \$500 deductible each accident.

Property:

All of the property coverage is insured through a commercial insurance carrier. Buildings and equipment are covered based on replacement costs subject to a \$500 deductible.

The Town has not experienced any significant reduction in insurance coverage from the previous year nor has it paid any settlements in excess of insurance coverage in the past three fiscal years.

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**KINGSTON TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> (Budgetary Basis) (See Note A)	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1, 2004	<u>63,713</u>	<u>63,713</u>	<u>63,713</u>	<u>-</u>
Resources (Inflows):				
Taxes:				
General Property Taxes	7,800	7,800	8,810	1,010
General Sales and Use Taxes	9,300	9,300	9,229	(71)
Fee-In-Lieu	<u>300</u>	<u>300</u>	<u>949</u>	<u>649</u>
Total Taxes	<u>17,400</u>	<u>17,400</u>	<u>18,988</u>	<u>1,588</u>
Intergovernmental Revenue:				
Class C Road	14,000	14,000	12,837	(1,163)
State Liquor Allotment	-	-	39	39
State Grants	<u>-</u>	<u>-</u>	<u>36,000</u>	<u>36,000</u>
Total Intergovernmental Revenue	<u>14,000</u>	<u>14,000</u>	<u>48,876</u>	<u>34,876</u>
Charges for Services:				
Other :	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
Total Charges for Services	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
Miscellaneous Revenue:				
Interest	100	100	439	339
Other	-	-	378	378
Use of Fund Balance	<u>15,250</u>	<u>15,250</u>	<u>-</u>	<u>(15,250)</u>
Total Miscellaneous Revenue	<u>15,350</u>	<u>15,350</u>	<u>817</u>	<u>(14,533)</u>
Amounts Available for Appropriation	<u>112,463</u>	<u>112,463</u>	<u>132,394</u>	<u>19,931</u>

**KINGSTON TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>(See Note A)</u>	<u>Positive</u> <u>(Negative)</u>
Charges to Appropriations (Outflows):				
General Government:				
Administration	10,000	10,000	8,620	1,380
Capital Outlay	4,000	4,000	36,050	(32,050)
Total General Government	14,000	14,000	44,670	(30,670)
Public Safety:				
Fire	10,000	10,000	1,989	8,011
Highway and Public Improvements:				
Class C Roads	20,000	20,000	464	19,536
Sanitation:				
Landfill	4,750	4,750	6,062	(1,312)
Total Charges to Appropriations	48,750	48,750	53,185	(4,435)
Budgetary Fund Balance - June 30, 2005	63,713	63,713	79,209	15,496

**KINGSTON TOWN
NOTE A
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION**

For The Fiscal Year Ended June 30, 2005

	<u>General Fund</u>
Sources/Inflows and Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules.	132,394
Differences - Budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	<u>(63,713)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u><u>68,681</u></u>
Uses/Outflows of Resources:	
Actual amounts (budgetary Basis "total charges to appropriations" from the budgetary comparison schedules.	53,185
Differences - Budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>53,185</u></u>

Kingston Town

50 West 100 South P.O. Box 365 Kingston, UT 84743 435-577-2270

March 10, 2005

MacRay A. Curtis
Office of the State Auditor
Utah State Capitol Complex
East Office Building, Suite E310
P.O. Box 142310
Salt Lake City, UT 84114-2310

Dear Mr. Curtis:

In regards to your letter dated January 27, 2005, the Town of Kingston wishes to submit the following corrective action plan to correct the deficit fund balance in the water enterprise fund:

1. Increase the water rate schedule effective April 1st, 2005. Our current rate structure is:

Monthly Base Rate:	\$12.00
Overage rate:	\$1.00/1,000 Gals

Our new rate structure will be:

Monthly Base Rate:	\$30.50
Overage rates:	
20,001 – 30,000 Gals	\$1.00/1,000 Gals
30,001 – 40,000 Gals	\$1.25/1,000 Gals
40,001 – 50,000 Gals	\$1.50/1,000 Gals
50,001 – 100,000 Gals	\$1.75/1,000 Gals
100,001 +	\$2.00/1,000 Gals

2. Adopt a Town Ordinance to allow the Town to collect delinquent water balances which goes into effect April 1st, 2005.

We apologize for the delay in getting this to you, but we needed to allow enough time for public hearings to properly adopt the changes. We feel this will correct the deficit water enterprise fund balance and allow us to move forward to improve our current water system. Please contact me if you have any further questions.

Sincerely,

Carlos Jessen
Kingston Town Mayor